PROPOSITION 87
Alternative Energy. Research, Production,
Incentives. Tax on California Oil Producers.
Initiative Constitutional Amendment and Statute.
Proponents: James C. Harrison and Thomas A. Willis

Date: July 20, 2006

BALLOT LABEL

ALTERNATIVE ENERGY. RESEARCH, PRODUCTION, INCENTIVES. TAX ON CALIFORNIA OIL PRODUCERS. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

Establishes $4 billion program to reduce petroleum consumption through incentives for alternative energy, education and training. Funded by tax on California oil producers. Fiscal Impact: State oil tax revenues of $225 million to $485 million annually for alternative energy programs totaling $4 billion. State and local revenue reductions up to low tens of millions of dollars annually.

SUBJECT TO COURT ORDERED CHANGES

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BALLOT TITLE AND SUMMARY

ALTERNATIVE ENERGY. RESEARCH, PRODUCTION, INCENTIVES. TAX ON CALIFORNIA OIL PRODUCERS. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

- Establishes $4 billion program with goal to reduce petroleum consumption by 25%, with research and production incentives for alternative energy, alternative energy vehicles, energy efficient technologies, and for education and training.
- Funded by tax of 1.5% to 6% (depending on oil price per barrel) on producers of oil extracted in California. Prohibits producers from passing tax to consumers.
- Program administered by new California Energy Alternatives Program Authority.
- Prohibits changing tax while indebtedness remains.
- Revenue excluded from appropriation limits and minimum education funding (Proposition 98) calculations.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- New state revenues—depending on the interpretation of the measure—from about $225 million to $485 million annually from the imposition of a severance tax on oil production, to be used to fund $4 billion in new alternative energy programs over time.
- Potential reductions of state revenues from oil production on state lands of up to $15 million annually; reductions of state corporate taxes paid by oil producers of up to $10 million annually; local property tax reductions of a few million dollars annually; and potential reductions in fuel-related excise and sales taxes.

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